Microsoft Corp v PC House (Imbi) Sdn Bhd

HIGH COURT (KUALA LUMPUR) — CIVIL SUIT NO D5-22-626 OF 1997
STEVE SHIM J
1 APRIL 1998

Copyright *— Computer software programs — Sale of software programs without authority to third parties — Download of programs from legitimate software distributors into hard disks of computers — Whether there was distribution by way of sale without licence — Copyright Act 1987 ss 13(1)(c) & 36(1)*

The plaintiff had applied for judgment in default of defence to be entered against the defendant which was opposed by the latter. The plaintiff — a company incorporated in the USA — had ownership of copyright subsisting in certain computer programs ('the programs') protected under the Copyright Act 1987 ('the Act'). The plaintiff claimed that the defendant had infringed its copyright in the programs by reproducing and distributing them without any lawful authority. In its proposed defence, the defendant admitted that at the request of its customers, the defendant would buy the plaintiff's programs from legitimate software distributors and download them into the hard disks of its computers.

Held, allowing the application:

Whether or not the defendant had made any charge in downloading the programs was unclear, but given the obvious commercial nature of such a transaction, it was reasonable to assume that it could not be entirely free. Since there was distribution by way of sale without any licence from the plaintiff, there would have been clear infringement under s 36(1) read with s 13(1)(c) of the Act. In the circumstances, on the basis of the proposed statement of defence, there could be no merit in the defendant's opposition (see p 405G–H).

[Bahasa Malaysia summary

Plaintif telah memohon supaya penghakiman ingkar pembelaan dimasukkan terhadap defendan yang dicabar oleh defendan. Plaintif — sebuah syarikat yang ditubuhkan di Amerika Syarikat — memiliki hakcipta dalam program komputer tertentu ('program tersebut') yang dilindungi di bawah Akta Hakcipta 1987 ('Akta tersebut'). Plaintif menuntut bahawa defendan telah melanggar hakciptanya dalam program tersebut dengan menghasilkan semula dan mengedarnya tanpa sebarang kebenaran sah. Dalam pembelaan yang dicadangkan, defendan mengakui bahawa atas permintaan pelanggannya, defendan membeli program plaintif daripada pengedar perisian yang sah dan memasukkannya ke cakera keras komputernya.

Diputuskan, membenarkan permohonan:

A Sama ada atau tidak defendan telah mengenakan sebarang bayaran dalam memasukkan program tersebut adalah tidak jelas, tetapi memandangkan sifat komersil transaksi sedemikian, adalah munasabah untuk menganggap bahawa ia tidak percuma. Oleh kerana terdapat pengedaran menerusi jualan tanpa apa-apa lesen daripada plaintif, jelas akan terdapat pelanggaran di bawah s 36(1) dibaca B bersama s 13(1)(c) Akta tersebut. Dalam keadaan begitu, atas dasar pernyataan pembelaan yang dicadangkan, tiada merit dalam tentangan defendan (lihat ms 405G–H).]

C **Notes**

For a case on sale of software programs without authority to third parties, see 3 *Mallal's Digest* (4th Ed, 1997 Reissue) para 3213.

Cases referred to

D *Creative Purpose Sdn Bhd & Anor v Integrated Trans Corp Sdn Bhd & Ors* [1997] 2 MLJ 429 (refd)
Wallersteiner v Moir [1974] 3 All ER 217 (refd)
Young v Thomas [1892] 2 Ch 134 (refd)

E **Legislation referred to**

Berne Convention for the Protection of Literary and Artistic Works 1886
Copyright Act 1987 ss 3, 13(1)(a), (c), 36(1)
Copyright (Application to other Countries) Regulations 1990
F Rules of the High Court 1980 O 19 r 7, (1)

Teo Bong Kwang (*Raja Darryl & Loh*) for the plaintiff.
Pertaf Singh (*Pertaf & Associates*) for the defendant.

Steve Shim J: By a summons-in-chambers dated 14 January 1998, the G plaintiff has applied for judgment in default of defence to be entered against the defendant pursuant to O 19 r 7 of the Rules of the High Court 1980 ('the RHC'). It is supported by the affidavit of Tan Huey Sze, the corporate attorney of the plaintiff affirmed on 13 January 1998. The application is resisted by the defendant who files an affidavit affirmed by its counsel Mr Pertaf Singh on 21 January 1998. Order 19 r 7(1) of the H RHC stipulates:

> Where the plaintiff makes against a defendant or defendants a claim of a description not mentioned in rules 2 to 5, then, if the defendant or all the defendants (where there is more than one) fails or fail to serve a defence on the plaintiff, the plaintiff may, after the expiration of the period fixed by or under these rules for service of the defence, apply to the court for judgment I and on hearing the application the court shall give such judgment as the plaintiff appears entitled to on his statement of claim.

Although it has been held that the use of the pre-emptory word 'shall' in the above rule indicates that the court is bound to give judgment on an

application under this rule, the court may in its discretion, extend the time within which a defence may be filed and served provided no injustice is caused by so doing. The court will not enter a judgment which would afterwards be set aside on proper grounds being shown. A judge will exercise his discretion on the same lines as he will in setting aside a judgment in default: see *Malaysian Court Practice High Court* (Vol I) at p 537; *Wallersteiner v Moir* [1974] 3 All ER 217 at p 232 (CA). Furthermore, a court will not grant judgment under this rule except where a statement of claim has been served before hand. When otaining judgment in default under this rule, the facts stated in the statement of claim are to be taken as admitted and no evidence or affidavit in support thereof will be required: see *Malaysian Court Practice High Court* (Vol I) at p 537; *Young v Thomas* [1892] 2 Ch 134 at pp 135–136.

Clearly, the principles upon which a court need to apply in an application for judgment in default of defence are much the same as those relating to the setting aside of a default judgment. This was what Lord Denning MR said in *Wallersteiner*:

> ... A judge in chambers has a discretion which he will exercise on the same lines as he will set aside a judgment in default. He will require the party to show that he has a good defence on the merits. This is time-hallowed phrase going back for a hundred years: see *Watt v Barnett* (1878) 3 QBD 363; *Farden v Richter* (1889) 23 QBD 124 at 130. It has been explained by Lord Atkin as meaning that the applicant would produce to the court evidence that he has a prima facie defence (see *Evans v Bartlam* [1937] 2 All ER 646 at p 650). The applicant must produce evidence by affidavit showing that he has such a defence.

Bearing those principles in mind, what then is the position in the instant case? At the outset, it is, I think appropriate for the purposes of this application, to state briefly the undisputed facts. The plaintiff is a company incorporated in the USA and it has ownership of the copyright subsisting in, inter alia, the following computer programs: Microsoft Windows, Microsoft Office 97, Microsoft Publisher 97 and Microsoft Word. It has ownership of the copyright of the said computer programs in Malaysia by virtue of the provisions of the Berne Convention for the Protection of Literary and Artistic Works 1886, which is given effect in Malaysia through the Copyright (Application to other Countries) Regulations 1990. And by virtue of the said Copyright (AOC) Regulations, the Copyright Act 1987, is made applicable to the plaintiff's computer programs. The said computer programs are works eligible to copyright protection as 'literary works' within the provisions of s 3 of the Copyright Act: see *Creative Purpose Sdn Bhd & Anor v Integrated Trans Corp Sdn Bhd & Ors* [1997] 2 MLJ 429 at p 430.

The crux of the plaintiff's case is crystallized in the writ and the statement of claim, namely, that the defendant has infringed its copyright in the computer programs by: (a) reproducing or causing others to reproduce copies of the said computer programs without any lawful authority; and (b) distributing or causing others to distribute copies of the same without lawful authority. These reproduction and distribution rights fall within the

ambit of s 13(1)(a) and (c) read with s 36(1) of the Copyright Act 1987. It is alleged that the defendant had in fact and in law breached s 36(1) by wrongfully distributing copies of the plaintiff's computer programs to the public by way of sale without licence of the plaintiff.

In his oral submission opposing the application, Mr Pertaf Singh has contended, in effect, that the plaintiff has failed to adduce sufficient evidence to sustain its allegations of downloading and infringement, etc and has therefore not discharged the relevant burden of proof. According to him, the defendant has taken the position that there had been no downloading, distribution or sale of the plaintiff's software programs as contained in the defendant's proposed statement of defence and as such, there are serious issues to be tried.

In the light of the principles stated earlier, I think it fair that I should consider the merits of the proposed defence annexed to the affidavit of Pertaf Singh. In my view, the essential nub of the defence is contained in para 6 which states:

> Defendan mengakui perenggan 7 penyataan tuntutan dan menyatakan bahawa perniagaan utama defendan ialah menjual 'hardware' PC kepada pelanggannya dan hanya atas permintaan pelanggan-pelanggannya sahaja defendan membeli karya-karya Microsoft dari pengedar-pengedar software Microsoft yang sah dan memasuk karya-karya plaintif kepada disk keras (hardware) dalam suatu komputer sahaja. Defendan akan memberi bukti-bukti pembelian karya-karya asal (original programs) dalam suatu komputer sahaja dan juga defendan akan memberi bukti-bukti pembelian karya-karya asal (original programs) invois-invois dan resit-resit pembelian dan/atau penjualan pada tarikh bicara.

It seems clear from the paragraph above that the defendant admits that its main business is selling PC hardware to customers and that it is only at the request of its customers that the defendant buys the Microsoft works from legitimate Microsoft software distributors and puts these works into the hard disks of the computers. In short, this is a situation where the defendant buys the plaintiff's works legitimately and then downloads them into the computer disks sold to its customers. The defendant seems to contend that its actions are perfectly in order. Whether this is because the defendant has not made any charge in downloading the said works is unclear, but given the obvious commercial nature of such a transaction, it is reasonable to assume that it could not be entirely free. Since there is distribution by way of sale without any licence from the plaintiff, there would have been clear infringement under s 36(1) read with s 13(1)(c) of the Copyright Act 1987. In the circumstances, on the basis of the proposed statement of defence, there can be no merit in the defendant's opposition. On that score alone, I find it sufficient to allow the application and order in terms thereof.

Application allowed.

Reported by Loo Lai Mee